

The special limitation provided in section 170(b)(1)(A) of the Internal Revenue Code of 1954 is not applicable to contributions made to a medical research organization which operates in conjunction with a hospital operated for profit.

Advice has been requested whether the term 'hospital' as used in section 170(b)(1)(A)(iii) of the Internal Revenue Code of 1954 includes a hospital operated for profit, for the purpose of determining whether contributions made to a medical research organization operating in conjunction with a hospital operated for profit are subject to the special limitation provisions of section 170(b)(1)(A) of the Code.

The medical research organization is exempt from taxation as a charitable foundation under section 501(c)(3) of the Code and contributions to it are deductible for Federal income tax purposes. It conducts its medical research in conjunction with a hospital operated for profit.

Under section 170(b)(1)(A) of the Code, individuals are allowed an additional deduction of not exceeding 10 percent of their adjusted gross income for contributions made to a hospital referred to in section 503(b)(5) of the Code or to a medical research organization (referred to in section 503(b)(5) of the Code) directly engaged in the continuous active conduct of medical research in conjunction with a hospital, if during the calendar year in which the contribution is made such organization is committed to spend such contribution for such research before January 1 of the fifth calendar year which begins after the date such contribution is made.

Section 170(b)(1)(A)(iii) of the Code specifies a hospital referred to in section 503(b)(5). Section 503(b) of the Code refers to certain organizations described in section 501(c)(3) which are exempt from income tax under section 501(a) of the Code.

One of the requirements of an organization described in section 501(c)(3) of the Code is that no part of the net earnings of the organization may inure to the benefit of any private shareholder or individual.

Since a hospital operated for profit is not an organization described in section 501(c)(3) of the Code, it is not a hospital referred to in section 503(b)(5) of the Code.

Accordingly, the special limitation provided in section 170(b)(1)(A) of the Code is not applicable to contributions made to a medical research organization which operates in conjunction with a hospital operated for profit.